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EVOLUTION OF THE BUDGET IDEA IN THE UNITED STATES

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Difficulty in tracing the evolution of the "budget idea" in the United States lies not so much in the historical material to be mastered as in decision as to what "idea" is to be discussed.

What is the "Budget Idea"?

Most controversies grow out of the failure of parties contestant to make clear what they are talking about. Words in ordinary use make expression of thought difficult whenever exactness is required. It is for this reason that science has gone entirely outside the common language for its terms. The word "budget" is a term used in so many different ways that no one can write on any aspect of budgets or budget practice without risk of controversy about the facts until he has taken the trouble to tell what he conceives a budget to be. Writers, therefore, not infrequently begin with a definition. It is an interesting fact, however, that nearly all these definitions are so indefinite that the reader is still left in doubt.

Definition of Budget as Herein Used

In this essay the term "budget," is used to mean *a plan for financing an enterprise or government during a definite period, which is prepared and submitted by a responsible executive to a representative body (or other duly constituted agent) whose approval and authorization are necessary before the plan may be executed.*

In order that no room may be left for inference, each of these clauses may be enlarged on and the reason given for its use:

(1) The idea "budget" is classed as a "plan" instead of a "document" or a "statement" for the reason that it is in the nature of a definite proposal calling for approval or disapproval with such details and specifications attached as are thought to be useful to the approving body or agents in arriving at a decision.

(2) It is differentiated from other plans by the phrase "for

financing an enterprise or government during a definite period." This includes the first idea of Leroy-Beaulieu's definition. But if it stopped here it would be just as defective; anyone might make a plan for financing an enterprise or a government. For this reason it is further differentiated by the requirement that to be a budget it must be "prepared and submitted by a responsible executive."

(3) One other essential is added, *viz.*, that it must be submitted to "a representative body (or other duly constituted agent) whose approval and authorization are necessary before the plan may be executed." Each of these qualifying phrases is so full of meaning and each so necessary to a budget practice that it is deserving of further comment.

The Budget as a Plan of Financing

The one thing that has been conspicuously lacking in our governmental business, federal, state and municipal, has been the element of careful, understandable, responsible planning. The lack of careful, understandable, responsible planning has been an incident of "invisible" or "irresponsible" government. Each year in every jurisdiction we have had "estimates" both of revenues and expenditures. But "estimates" in themselves do not constitute a budget. They only serve the purpose of laying the foundation for work plans and financial plans.

These estimates must be of two kinds, *viz.*: (1) there must be estimates of needs, and (2) there must be estimates of the financial resources that may be availed of to meet needs. To be of value the estimates must be made by a great many persons. The estimate of needs must be made by persons who are familiar with the requirements of each kind of work to be done, or each service to be rendered—with the operating requirements, the maintenance requirements, the capital requirements. Then one or more persons must make up estimates of needs for certain things that are common to all services—those which are general, such as requirements for interest, sinking fund requirements, the requirements for payment of maturing obligations for which no sinking funds are provided, requirements for purchase of common lands and the conduct of common business transactions such as advertising, printing, etc. Then again, estimates of the financial resources which may be availed of to meet estimated financial needs, to be of the highest value, must be made

up by a number of other persons who are familiar with present financial conditions; they must also be able to forecast probable revenues derivable under existing law; they must have knowledge of the present and probable future condition of appropriations and funds, having in mind present and proposed financial policies they must have the ability to forecast probable financial conditions of surplus and deficit at the beginning of the period to be financed and of probable surplus and deficit at the end.

Plan Must Be Made by a Responsible Executive

All these various estimates of expenditures, of revenues, and of financial condition must be brought together; they must be considered by someone who can think in terms of the institution as a whole; they must be brought to a conclusion; and conclusions must be stated as a definite proposal and a basis for action by some one person or agency that can be held to account. The only person who can be held to account is the one who is to execute the plan proposed. This executive therefore is the only one who can be made responsible for leadership.

The estimates and conclusions must be presented to the representatives of the people whose approval and action are required before spending officers are authorized to go ahead. They must be presented as a definite plan or prospectus which will show what is proposed to be undertaken. This plan must not only show what undertakings are proposed but what will be the probable cost on the one hand and how the cost is to be met. The financial plan must deal with great questions of public policy—must set forth how much is to be met by revenue, how much is to be met by borrowing, and how much, if any, is to be met from surplus. The plan must show what authorizations should be given to the executive to enable him to carry on the business efficiently and meet obligations as they mature. Not only is it necessary that the “estimates” be prepared by persons familiar with the facts, but it is quite as essential that the plan of work and of financing be proposed and submitted by the same person who is to be held accountable for directing the execution of the plan. This means the executive. To have a plan—in other words the “budget”—made by persons who have no responsibility for carrying on the business would be destructive of the very purpose of representative government.

The representative character of a government is to be found in its legislature and in its electorate. As has been pointed out, the constitutional or institutional purpose of a budget is to make the executive responsible and responsive to the people through their representatives and through the electorate. No plan or proposal can serve this purpose which comes from individual representatives any more than it could if it came from individual electors. In the first place it is incompatible that the proposer should also be the disposer of public funds. In the second place the proposal should not reflect the interests of a single individual or a single district—but the interests of the whole community of associated interests which are composed in the state or nation.

The one who submits the financial proposal should be responsible to all—he should be accountable for the management of the affairs of the whole government. Since the several parts of the government are interdependent, no legislative committee can prepare a budget unless the business of the government is to be managed by this committee as in a commission government, or in New York City where the executive power is in its Board of Estimate and Apportionment. But they must act together. Responsibility should be attached to some one man, or some group of persons acting as one man, who can be continued or retired as one man. It was for this reason that Great Britain did not succeed in establishing a true budget system till after 1800 when the principle of solidarity of responsibility was forced on the cabinet. Even then the budget could not be made effective until a means was provided for enforcing this responsibility through a truly representative parliament—until the reform acts of 1837 which made parliament in effect the people in session. In discussing the evolution of the budget idea in the United States, therefore, what is meant is the development of the idea of “a plan for financing the government during a definite period, which is prepared and submitted by a responsible executive to a representative body whose approval and authorization are necessary before the proposed plan may be executed.”

Budget Control by the Representative Body

As it is the institutional and constitutional purpose of the budget to serve as a means both of exercising control over what the government shall do and how it shall be financed and also for making

the executive responsible and responsive to the people through their chosen representatives and through the electorate, the budget cannot be more than a proposal or request. Actual authorization must come from the representative or electorate body before a dollar can be raised or spent. Or if some latitude is given to the executive to spend without such action first obtained, the expenditures so made must come to representatives and the electorate for approval. A budget can have no force. A budget, as such, can convey no authority. It is only the "act" of appropriation, the revenue or the borrowing "measure" which gives authority to the executive. Therefore, the "act" and "enacted measure" must be clearly distinguished from the "plan" or "proposal" of the executive.

How Legislative Control May be Made Effective

If the executive is to be held responsible for results, the legislature must do *three things*: viz.: (1) It must provide a means of enabling representatives to find out whether the executive has acted within his past authorizations and conducted the business efficiently; (2) it must provide a means of enabling representatives to inquire into the requests for future grants; (3) since the purpose of a representative system is to make the government responsible and responsive to the people, it must provide a means of reaching the people, of letting the people know what has been done and what is proposed and of getting controversies between a majority of representatives and the executive before the electorate for final decision. With provision made for these three things the representative system is adapted to the ends and purposes of a democracy; without provision for these three things the representative system is not adapted to the ends and purposes of a democracy.

How Legislative Inquiry May be Made Effective

The collateral means which have been found effective for keeping the executive within authorizations are the creation of an agency for independent audit and report on all transactions, the establishment of an independent judiciary for the settlement of legal controversies, and the authority of the legislature to make independent inquiries. But these are collateral means. The method which has been found to be most effective for enabling representatives to inquire into requests for future grants, and obtain exact information

about what has been done as well as what is proposed, is to require the executive to appear personally before the representatives of the people at the time he makes his request for funds to answer questions and details.

How the Electorate May be Reached

The method which has been found to be most effective for keeping the people in touch with public affairs and for having questions in issue settled by the electorate, is to make provision whereby each representative can openly question the executive and every item can be separately debated and voted on. And in case the executive is not supported to make further provision, the electorate may promptly retire either the executive or the opposing majority. What this means is, that a budget which is to serve its constitutional purpose must not only be an executive proposal submitted to a representative body, but it must be submitted under such rules of procedure that each representative may have a right to personally and publicly make inquiry of the executive concerning any matter or detail of the business in hand and also have the right openly and publicly to oppose any part of the plan which, in his opinion, is against the general welfare of the state. And the only procedure which has been found effective for doing this is to require that the estimates and the budget be considered and discussed in committee of the whole house with the executive present.

Furthermore, the financial plan which is to be considered as a budget must be laid before representatives of the people, in such a way that it will at all times be the measure of the responsible executive, and when approved or disapproved, the action taken must stand as the decision of sovereign power—must be the will of the people to support this responsible head of the government. The budget must be considered as the most important measure of any government.

Action on the Budget an Act of Popular Sovereignty

The passing of a budget, as the term budget is used in this discussion, is an attribute of sovereignty. When, as in a democracy, sovereignty is in the people, the authority given to the executive by the "acts" passed in response to executive request must come directly or indirectly from the people; therefore, the procedure

to be effective must make the people an integral part of the action. This is what is meant by Leon Say in the statement that "Every member of the society or nation exercises a share of the prerogative of the budget which corresponds to the share of the sovereignty which is vested in him." It is on this idea of a budget that the theory that the "act" of appropriation and the revenue and borrowing "measures" are in the nature of contracts made between taxpayers on the one hand and the executive in power. But the "acts" or "measures" are quite a different thing from the plan or, as it is here called, the "budget" of the executive.¹

The "budget idea" whose evolution in the United States is here traced bears little relation to the estimates presented by an irresponsible executive or to the devices by which financial legislation is passed in a scheme of invisible government, with no means provided for bringing executive and legislative action to the test of approval or disapproval by the electorate. Those methods, which do not make for responsible government, are not the subject of this essay. The view adopted is the only one that is compatible with the evolution of constitutional law where "control over the purse" has been effectively used to bring the institution and practices of a representative system into harmony with the ideals of democracy and popular sovereignty.

Taken as a whole it may be said that until within the last few years the "budget idea," as the term is here used, has had no evolution whatever in the United States. Our citizenship, our legislators, and our constitution makers have until recently been as innocent of such an idea as an unborn babe. True, President Wilson had written a masterly treatise calling attention to the *devolution* of our government—to the gross departure made from the ideals of the constitution as it was understood by the fathers—

¹ There are two special treatises on what the authors have chosen to call budgets in this country, *viz.*: Eugene E. Agger's *The Budget in the American Commonwealth*, 1907; and S. Gale Lowrie's *The Budget*, 1912. Both of these proceed from the notion that the documents which have been developed in American practice to carry out the various constitutional inhibitions and the devices used to control expenditures are budgets. While these works are highly meritorious exposés of American methods, the practices described are so far afield from what is here described as the "budget idea" that the contrast should be noted. And this distinction should be drawn if we are to consider the merits and demerits of these two widely differing practices.

and in this pointed to the fact that the administration was gradually drifting over into the hands of some forty odd irresponsible congressional committees. True, President Lowell and other students of foreign government had also written volumes on the gradual development of the principle of executive responsibility under representative systems abroad, and pointed to the part that the "budget idea" had played in this development. But these writings were unnoticed, except in academic discussion. The "practical" man complacently turned a deaf ear, or, if he did not refuse to listen, patronizingly put an end to all suggestions and arguments with the bold assertion that the idea was "undemocratic" and "un-American." When a single Congress authorized a billion dollars of expenditures and the party in power was attacked for extravagance, the answer was that "this is a billion-dollar country." But increases in expenditures went on until within a few years we had a "two billion-dollar Congress." It was the uncontrolled and uncontrollable increase in the cost of government that finally jostled the public into an attitude of hostility to a system which was so fondly called the "American system." This growing hostility to doing business in the dark, to "boss rule," to "invisible government," became the soil in which the "budget idea" finally took root and grew. Questions raised by Mr. Tawney, as chairman of the committee on appropriations, with respect to the system of raising and spending money were not new. It was only the circumstance of the "two-billion-dollar Congress" that caused the public to be disturbed. The bold assertion of Senator Aldrich that if he could run the federal government as he would a private business he could save \$300,000,000 a year did more to upset complacency and bring about a demand for change in the methods of doing business than all the treatises that had been written on defects in the organic law. But this dramatization of waste had a constructive value. It caused men to ask for a remedy. It caused people to read and reread what had been written by President Wilson in 1885; it caused editors and writers to consider the methods employed in other countries which had succeeded in making their governments responsible; it provided an occasion for editorial comment; it made an audience for Professor Ford's book,² which pointed to the fact that what had been so patronizingly characterized as un-American in methods of political control

²*The Cost of our National Government*, by Henry Jones Ford, 1910.

in England, continental Europe, Bermuda, Australia, and Japan were the methods used in the management of private business, and what had been so much lauded as the American system could be nothing else but wasteful and subversive of the very purposes of democracy.

Efforts Made to Apply the Budget Idea in the Federal Government

This brings us up to President Taft's administration. During President Roosevelt's two administrations, the ship of state had been rocked and tossed about by storms of abuse. In this both the President and Congress took an active part, but nothing towards constructive legislation was undertaken which had a distinct bearing on the methods of controlling the national finances. For a period of six months after March 4, 1909, these storms subsided only to break again with renewed force. But the storm center was not the cost of government; it was the tariff, "standpatism", "government for the privileged classes." From the viewpoint of those who were interested in the development of the "budget idea," this was unfortunate, for President Taft had seriously undertaken to use the great powers and the influence of his office to foster that idea.

The President's Inquiry into Methods of Doing Business

President Taft's answer to the demand for economy was to ask Congress in December, 1909, for an appropriation of \$100,000 "to enable the President to inquire into the methods of transacting the public business . . . and to recommend to Congress such legislation as may be necessary to carry with effect changes found to be desirable that cannot be accomplished by executive action alone." As soon as this appropriation had been made available the President instructed his secretary, Mr. Charles D. Norton, to make plans for the organization of the work. A preliminary inquiry was begun on September 27, 1910. The first task of Secretary Norton was to organize within each department a committee which would coöperate with the White House staff in developing a definite plan of work. Speaking on the magnitude and difficulty of the task, the President in his first report to Congress said:

I have been given this fund to enable me to take action and to make specific recommendations with respect to the details of transacting the business of an organization whose activities are almost as varied as those of the entire business

world. The operations of the government affect the interest of every person living within the jurisdiction of the United States. Its organization embraces stations and centers of work located in every city and in many local subdivisions of the country. Its gross expenditures amount to nearly \$1,000,000,000 annually. Including the personnel of the military and naval establishments, more than 400,000 persons are required to do the work imposed by law upon the executive branch of the government.

This vast organization has never been studied in detail as one piece of administrative mechanism. Never have the foundations been laid for a thorough consideration of the relations of all of its parts. No comprehensive effort has been made to list its multifarious activities or to group them in such a way as to present a clear picture of what the government is doing. Never has a complete description been given of the agencies through which these activities are performed. At no time has the attempt been made to study all of these activities and agencies with a view to the assignment of each activity to the agency best fitted for its performance, to the avoidance of duplication of plant and work, to the integration of all administrative agencies of the government, so far as may be practicable, into a unified organization for the most effective and economical dispatch of public business.

The Organization of the President's Commission on Economy and Efficiency

One of the conclusions reached as a result of the preliminary inquiry is the following:³ "A very conspicuous cause of inefficiency and waste is an inadequate provision of the methods of getting before Congress a definite budget, *i.e.*, a concrete and well-considered program or prospectus of work to be financed."

The Need for a Budget one of the first Subjects of Inquiry

When the Commission was organized sufficiently to permit of collective consideration of work to be done by it, a program of work was formulated which provided for five fairly distinct subjects to be handled, as follows: (1) The budget as an annual financial program; (2) The organization and activities of the government; (3) Problems of personnel; (4) Financial records and accounts; (5) Business practices and procedure.

In the preliminary inquiry one of the first steps taken had been to ask the several departmental committees coöperating with the

³See report on the preliminary inquiry under authority of the civil act of June 25, 1910, prior to the organization of the President's Commission on Economy and Efficiency, covering the period September 27, 1910 to March 8, 1911—circular No. 29 of the commission.

President to reanalyze the estimates in such manner as to show the different kinds of things that were being purchased by the government and the amounts spent and estimated for each. As a result of this inquiry the President for the first time had brought before him a summary of such facts as the following: The amounts spent by each bureau, by each department, and the government as a whole analyzed to show what part was for such things as personal services; services other than personal; materials; supplies; equipment, etc. For the first time it became known that the government was spending nearly \$400,000,000 for salaries and wages (the digest of appropriations made it appear that only \$189,000,000 was for this purpose); that the government was spending \$12,500,000 for the transportation of persons; that it was spending \$78,000,000 for the transportation of things; that it was spending \$8,000,000 for subsistence of persons and, in addition, was spending \$18,500,000 for provisions, and \$5,500,000 for wearing apparel, etc.

Among the first things undertaken by the commission after its organization was to continue the analytical work with a view of preparing a report on the need for an annual budget. In July, 1911, forms were drafted. These were discussed with department heads, and on August 1 were submitted to the President for his approval. On August 7 the President sent these forms to the departments and requested that they reclassify the data which was being obtained for the purposes of official estimates then in preparation. The forms asked for information on three subjects: (1) Expenditures for fiscal year ending June 30, 1911; (2) Appropriations for the fiscal year ending June 30, 1912; (3) Estimates for appropriations for the fiscal year ending June 30, 1913. A different form was prepared for reporting on each of these subjects and a fourth form for a recapitulation. Each of these forms was so drawn as to provide for showing the amounts expended, appropriated or estimated: (1) By each organization unit; (2) For each class of work to be done; (3) By character of expenditure, such as current expenses, capital outlays, fixed charges, etc; and, (4) By the amount which had been expended, appropriated or estimated under each act or class of acts of appropriation—whether by annual appropriation, permanent legislation, etc. The heads of departments were asked to have these returns in by November 1, but it was not until after the first of the next year that they were made available to the Presi-

dent. This was due to the fact that the forms required by Congress were along entirely different lines, and it was necessary for the heads of departments to have the official estimates in the hands of the treasury and before Congress on a prescribed date.

The report of the commission on "the Need for a National Budget" was sent by the President to Congress with his approval on June 27, 1912.⁴

The President Urges Congress to Accept the "Budget Idea"

In his letter of transmission President Taft pointed to the fact that the Executive is charged by the Constitution with the duty of publishing "a regular statement of receipts and expenditures" and "that he is also enjoined from time to time to give Congress information on the state of the union and to recommend for consideration such measures as may be deemed expedient." With these constitutional prescriptions President Taft held that the President had the power to prepare and submit to Congress each year "a definite, well-considered budget with a message calling attention to subjects of immediate importance." The President stated, however, in his message that he did not assume to exercise this power except in coöperation with Congress; and he urged the necessity of repealing certain laws which were in conflict with the proposed practice.

The purposes of sending the report to Congress as described by the President were:

⁴ This was printed as house document No. 854 of the 62d Congress, second session (568 pages). The members of the commission who participated in the preparation and signed the report, besides the chairman, were: Frank J. Goodnow, for twenty-six years professor of administrative law in Columbia University, now President of Johns Hopkins University; William F. Willoughby, for more than twenty years connected with the government service in various capacities, now constitutional advisor to the Chinese Republic; Walter W. Warwick, for many years connected with the comptroller's office and auditing service of the federal government, now the comptroller of the treasury; and Merritt O. Chance, for twenty-six years connected with various departments of the government, now postmaster at Washington. From June, 1911, to January, 1912, Mr. Harvey S. Chase was also a member of the commission, but due to illness he was not able to be in Washington during the time that the budget report was being prepared and therefore did not share in authorship or join in signing the report. The subsequent use which Mr. Chase has made of the report, however, indicates that he is in general accord with the recommendations of the commission.

To suggest a method whereby the President, as the constitutional head of the administration, and Congress may consider and act on a definite business and financial program;

To have the expenditures, appropriations and estimates so classified and summarized that their broad significance may be readily understood;

To provide each member of Congress, as well as each citizen who is interested, with such data concerning each subject of interest as may be considered in relation to questions of public policy;

To have these general summaries supported by such detailed information as is necessary to consider the economy and efficiency with which business has been transacted;

In short, to suggest a plan whereby the President and Congress may coöperate, the one in laying before Congress and the country a clearly expressed administrative program to be acted on—the other in laying before the President a definite enactment for his judgment.

This was the first time that any responsible officer of the national government had advocated the "budget idea." This report not only contained a descriptive and critical report on the past practices of the national government with constructive recommendations, but supported these recommendations with an appendix of forms and a digest of the practices of thirty-eight other countries, in most of which the "budget idea" had already been incorporated and made a part of the public law.

Immediately following the submission of this report to Congress (July 10), President Taft issued an order to the heads of departments to depute some officer with the duty to see that estimates of summaries for the next fiscal year would be prepared in accordance with the recommendations contained in his message of June 27, and in a letter directed the secretary and treasurer

to print and send without delay to Congress the forms of estimates required by it; also to have sent to him (the President) the information asked for. . . . This will be made the subject of review and revision and a summary statement in the form of a budget with documents will be sent to Congress by a special message as the proposal of the administration.

Report and Recommendations Pigeon-holed

At the time that this order was issued, Congress had not yet passed all of the annual appropriation bills—some of the bills as passed having been vetoed by the President. When on August 24 the sundry civil bill became law it contained one clause modifying the form of the estimates to incorporate some of the suggestions of the commission, and another clause requiring the heads of depart-

ments to submit the estimates in the form and at the time required by law to be submitted and at no other time and in no other form. Following this, when it came to the attention of President Taft that heads of departments expressed some doubt as to what were their duties in the matter, on September 9 the President sent a letter to each member of the cabinet, in which each was instructed to follow the orders both of the President and of Congress. With both houses of the legislature organized against the executive and making demands on the departments for information, the retiring chief executive had difficulty in obtaining the information desired. About February 1, however, all the data had been brought together and, on February 26, President Taft submitted to Congress a budget with a message, which was referred to the committee on appropriations and ordered to be printed with accompanying papers.⁵ And there it lay without consideration, action or report.

Acceptance of "Idea" by the Public

The budget proposals of President Taft, however, were not pigeon-holed by the public. They were taken up by the press throughout the country. Almost unanimously they had the support of public opinion. This opinion was further registered in a referendum which was taken on the subject by the Chamber of Commerce of the United States. Furthermore, many leading men, and even some of the members of Congress who, at the time expressed themselves as being opposed to an executive budget, from time to time since then have come out strongly for the "budget idea." One of those who has been emphatic in his opinion, is Congressman John J. Fitzgerald, chairman of the appropriation committee, who at the time the budget was referred to his committee opposed the act as executive interference. But Mr. Fitzgerald, speaking before the committee on state finances at the constitutional convention at Albany, June 26, 1915, said:

We ought to have some way in the system of our government to fix direct responsibility, and you cannot fix responsibility if the power is too greatly scattered. . . . I would put it with the Executive. I would make him responsible at the outset. . . . Some persons object that we should not deprive the representatives of the people of the right to loosen up the purse strings, but the

⁵ *Senate document 1113*, 62d Congress, 3d session.

universal condition of this country today is not that we must safeguard the rights of the people to get money for things. The whole curse of our condition is that everybody is doing his utmost to get it and succeeds; and the evil to be corrected is the evil of excessive expenditure. . . . Now if there were some way by which that could be stopped . . . it would do what is done in the governments where they had a responsible government with the budget system. If my constituents were keenly interested in some matter that required an expenditure of public money, I would be compelled to present the matter to the department that had charge of it. They would make their investigations. They would determine whether it was one of those things that should be included, and they would have to take responsibility for requesting it.

Outlook for a Federal Budget

With President Wilson's long standing advocacy of a budget system, with Secretary McAdoo's reported determination to work for the introduction of a budget procedure; with the chairman of the appropriation committee outspoken in his belief as quoted above, it is confidently expected that something may be done in the next Congress to adapt the laws of the federal government and the procedure of Congress to a practical relation whereby the country may have the benefit of executive leadership and the voting of money may rest on a plane of openhanded dealing.

The Budget Idea in State Government

The provisions in the state constitutions as they were originally drawn having to do with the relations of the executive to the legislative branch follow very closely those of the federal constitution. At present, however, they differ very materially, due to the fact that the federal constitution, with few exceptions, is as it was originally drawn while the state constitutions have been frequently changed. With the federal government there has been a gradual departure in practice from the spirit and expression of the constitution as drawn. This was pointed out very clearly by President Wilson in his treatise on congressional government. In the state, the changed attitude of the people toward the government is found in the gradual decimation of executive power on the one hand and the increasing number of limitations placed on the legislature on the other.

Requirements of State Constitutions

It is of interest to note the duties that are imposed by state constitutions on the governor having to do with matters of money

raising and accountability for expenditure. In every state in the union some such provision as this is made: That the governor shall "from time to time" or "at every session" or "at every regular session" give the legislature information on the condition of the state and make recommendations. In four states—Colorado, Idaho, Illinois and Kansas—it is required that he shall "recommend measures." As a matter of practice, however, these requirements have been construed in the same manner as the similar provision in the federal constitution. The governor has not been assumed to have any standing whatever before the legislature until a bill is passed. He has not been assumed to have any right personally to introduce any bill or to appear for or explain or defend any measure openly. Nine of the constitutions⁶ require that the governor shall present at the commencement of each regular session estimates of the amount of money to be raised by taxation for all purposes. These provisions, however, have not been so construed as to lay upon the governor the requirement of preparing and submitting a "budget," nor has any procedure been developed that is based on such an assumption. As a matter of fact, the constitutional provisions have been either perfunctorily complied with by subordinates or have been dead letters, as is pointed out in the report of the Committee on Efficiency and Economy of the state of Illinois.⁷ Although the governor was specifically directed by the constitution to lay before the legislature the estimates of money required, the committee states that so far as they could ascertain no attention whatever had been paid to it. This, however, has only to do with the amount of money required to be raised by taxation; it does not lay upon the governor the duty of submitting estimates of proposed expenditure.

In the constitution of Maryland it is made the duty of the comptroller to prepare and submit estimates of revenues and expenditures. Other constitutions require that one or more other state officers shall prepare such estimates. In states where no constitutional requirement has been laid on the governor, or state officers, statutes have been passed providing that certain officers individually or acting as a board *ex-officio* shall prepare and submit estimates.

⁶ Ala. V, 123; Colo. IV, 8; Ida. IVA; Ill. V, 77; Mo. V, 10; Mont. VII, 10; Nebr. V, 77; Tex. IV, 9; W. Va., VII, 6.

⁷ See report of the Economy and Efficiency Committee of Illinois, p. 22.

Boards of Control

The futility of efforts to establish a budget procedure without some means whereby the executive may be responsible for its proposal and in which the executive will be required to explain and defend the financial measure of the administration is shown by the experience in each of the forty-nine instances where it has been tried. In 1912 Wisconsin undertook to provide a means whereby a budget might be developed as a joint measure of the legislature and of the administration. It was in support of this idea that the report written by Dr. Lowrie was submitted through the State Board of Public Affairs. While this may be a desirable adaptation, as long as we are to assume that the governor is not to be a chief executive and that the government is to be divided up into various small jurisdictions over which there is no control other than that of the legislature, it is not a method which is consistent with the "budget idea."

New York undertook to interject into its budget procedure a means of central control by the same method.⁸ The purpose of this board was to make a budget as the term was understood by the legislators. The board was made up of the governor, lieutenant governor, the president *pro tempore* of the senate, the chairman of the finance committee of the senate, the speaker of the assembly, the chairman of the ways and means committee of the assembly, the comptroller, the attorney general, the commissioner of efficiency and economy—and four members *ex-officio* of the legislative branch and five members *ex-officio* of the executive and administrative branches. The first year that the estimates came before this board it was unable to come to any conclusion and made no report except such as was submitted through two officers of the board upon each of whom was laid the responsibility independently for submitting estimates with reports thereon.⁹

The unsatisfactory operation of the laws governing the admi-

⁸See laws 1913, ch. 281—An act to establish a state board of estimate.

⁹The commissioner of efficiency and economy was required to make a careful study of each office, examine the accounts, prescribe the form of submitting departmental estimates and examine these statements, and make recommendations. The comptroller was also required by law to prepare and submit to the legislature estimates of revenues and expenditures. Both of these officers performed the duties required by law, but the "board of estimate" were unable to come to any conclusion. Both of these officers were also members of the board of estimate.

nistration of various states, within the last few years, has been the subject of much popular unrest. In recognition of this dissatisfaction several states have appointed commissions or committees of inquiry for the purpose of ascertaining wherein the methods of conducting business may be changed with a view to increasing efficiency and economy. In 1912, Massachusetts and New Jersey each appointed such a commission. In 1913, New York, Pennsylvania, Minnesota, Iowa, Illinois and California appointed commissions or committees with instructions to report. Most of these commissions have pointed to the irresponsible character of our state governments; all of them have made recommendations.

Under the federal constitution the President is made responsible to the electorate for the executive departments. It was the opinion of President Taft, set forth in a special message to Congress, that the President had the power, under the federal constitution, to prepare and submit a budget, although, without constitutional change or legislation, his proposals might receive no consideration. In the states, however, the executive branch has been so far carved up into independent jurisdictions that the governor could not obtain the information or coöperation required to make an executive budget effective. The only remedy is constitutional revision, which looks toward executive reorganization as well as a definite prescription for a budget.

New York, through its constitutional convention—the one which has just adjourned—is the first state that has ever undertaken to frame the financial measures of its constitution around the “budget idea.” The extent to which the convention succeeded in injecting this idea into the constitution will appear from a reading of the draft which in November will be submitted to the electorate for their approval.

Budget Ideas Applied to Municipalities

The political consciousness of the duties of citizenship was first awakened in the government of our municipalities. There, attention was first given to matters of electoral reform and charter reorganization. Later, through the organization of independent civic agencies with staff equipment to inquire into matters of public business, attention became centered on methods and results. Among the first conditions which came to attention, after these agencies of

citizenship began to direct their attention to details, was the fact that the accounts did not provide the information needed to show what the government was doing, how it was doing it, what results were being obtained and what was the cost of results—whether good, bad or indifferent. Furthermore, it was found that responsibility for these conditions could not be located. The whole administration had been carved up into little jurisdictions and the business put into pigeon-holes and pockets in each of which some officer or subordinate came to have what was regarded as a proprietary interest or right to control. As a means of breaking down these many petty jurisdictions and requiring information on standard lines to come to a central office where it could be summarized and coördinated, the cities were led to adopt the same general method that had been employed in the national government—namely, that of sub-dividing appropriation accounts to such an extent as to force administrative agencies to account in detail to the legislative committee charged with the consideration of the appropriation bill. This detailed subdivision of appropriation accounts has come to be called a “segregated budget”—an evident misnomer. What the cities did which developed a new appropriation procedure from the viewpoint of enforcing accounting requirements was to confuse the “act of appropriation” with a “budget.” Since these legislative committees had no means of limiting administrative action in any other way, they substituted a highly detailed appropriation for control through a responsible executive by use of a “budget” under general law requiring detailed accounts to be prepared and submitted in support of the requests of a chief executive. This was only one more step in the direction of government by limitations instead of a step in the direction of responsible government with powers and a means of enforcing accountabilities.

But in another respect this experience has been misleading. The “budget idea” as it is here used assumes a responsible executive—in other words, such an idea cannot obtain in any jurisdiction, municipal, state or national unless there is some one who is responsible for executing the plans—for doing the things for which appropriations and revenue grants are requested. Where no such provision was made to definitize and locate responsibility and where no means was provided for enforcing efficiency and economy in administration what was called the “segregated budget” gained advocates

through preventing officers from doing harm. The cities which have adopted this means have been able to exercise control but they have not been able to establish responsibility—in fact, the method is one which stands in the way of enforcing responsibility for that discretion in management which will make for efficiency.

Municipalities that have been attempting to make budgets have suffered as much from charter provisions, passed on the theory that the purpose of a charter was to keep officers from doing harm, as have the states in their constitutions. For example, the city of Philadelphia, which has done much toward working out the forms and procedures of budget control, has not been able to make this effective because, although it has a highly centralized executive organization, the mayor is not made the responsible leader before councils in securing measures for better administration—the comptroller is the only one who by charter is permitted to submit to the board of aldermen the estimates and no one is required to assume responsibility for a definite financial plan or proposal for the next fiscal period. The finance committee on councils stands in the same relation to the administration in this respect as does the committee on appropriations of the national government. It is not until the finance committee has completed its work that there is anything officially before councils for consideration.

The charter of the city of New York constitutes a board of eight members as the chief executive of the city, made up of the mayor, the president of the board of aldermen, the comptroller, and the five borough presidents. In this there is no provision for the principle of solidarity of responsibility. Although the constitution requires that this board prepare and submit each year to the board of aldermen a budget, it has never done so in the sense in which the term "budget" is here used. What it has done is to prepare and submit each year in November an appropriation bill which when enacted by the board of aldermen determines expenditures for another year. Following the budget principle the board of aldermen is not permitted to make any change except to reduce and in this respect the charter has gone farther than in some other cities. It is some months later that the revenue proposals come before the city authorities. In any event the board of estimate and apportionment of the city of New York never has prepared and submitted to the board of aldermen a financial plan which will bring before the

city a prospectus of what is proposed nor a statement of affairs which will enable citizens or the board of aldermen to know what is the financial condition at the time that a vote is asked for.

Conclusion

In conclusion it may be said that the "budget idea" is just beginning to take hold of the American mind; that for a period of one hundred and twenty-five years American political institutions have been drifting steadily away from conditions which made the successful operation of a budget principle possible—away from responsible government; that the condition which is making possible the introduction of this idea into our political system has been a reaction against the results of irresponsible government, the political boss, log-rolling methods, pork barrel legislation; that the "budget idea" has finally come to be thought of as a constitutional principle—one which has been used effectively for the purpose of developing representative government and keeping it in harmony with the highest ideals of democracy.

While this idea has but recently been made a part of American political thinking it is one that is becoming rapidly absorbed and made a part of our political philosophy. More than any other principle of control, it is commanding the confidence and respect of those persons in the nation whose influence is being felt in legislatures and constitutional conventions, and other assemblies charged with the responsibility of redrafting our public law.